

I would like to address three topics: aging infrastructure, customer funding, and the big picture.

When I was at Western we focused on the maintenance of the infrastructure, ensuring that the electrical equipment operated in a safe, reliable manner. We removed most of the aging wood poles in the Central Valley Project (CVP), replaced oil filled transformers with gas transformers, installed meter upgrades, replaced damaged insulators, cleared right of way, and continually accomplished all of the other critical infrastructure improvements necessary to maintain system reliability. The CVP system today has about 40 miles of wood poles and most of those have been placed in the ground in the last 5 to 6 years.

Western continually maintained its equipment in a safe and reliable manner because millions of Californians depended on us. We took pride in the fact that we consistently exceeded the WECC reliability criteria and had a forced outage rate lower than the industry average. That same pride in operating a reliable system still exists at Western today. Equipment is maintained in accordance with industry standards to ensure proper operating condition. Western moved from time based maintenance, which based maintenance and replacements on the age of the equipment, to condition based maintenance in the 1990's. A 77 year old transformer still provides reliable service when properly maintained, despite its age.

Second, we began to notice in the 1990's that appropriations were dwindling, especially for Reclamation, and that a shortage of funding was beginning to have an effect on CVP energy generation efficiency and reliability. Western approached the CVP power customers and reached an agreement to provide the funds necessary to keep the system operating at the highest standards possible. The first year, in 1999, CVP power customers provided Reclamation approximately \$300,000 in funding. That amount doubled in 2000. By 2003 the CVP customers provided Reclamation with more than \$20 million in funding and plans were made to start funding some of Western's activities. To date, CVP customers have provided Reclamation approximately \$257 million in funding to operate, maintain, and replace infrastructure and have also provided approximately \$128 million to Western. In the years going forward, the customers have committed to funding more than \$40 million per year of Western's and Reclamation's programs.

While Reclamation and Western have ultimate responsibility for their equipment, CVP customers are definitely partners in funding their programs. Reclamation, Western and the customers meet regularly to discuss program needs and customers provide appropriate funding for economic projects that achieve the reliability standards established for the integrated electrical system. In addition, operational improvements that can make the system more efficient in meeting the constantly changing power requirements are continually discussed. It doesn't make sense that DOE would make proposals that might impact CVP funding, operational arrangements, and reliability without first understanding the interrelationship of the Western/Reclamation/CVP customer funding and marketing contracts. Because of this partnership, Western and Reclamation are already operating in the 21st century; they don't have to be brought into it.

The last item I will briefly discuss is the big picture. DOE is proposing various goals in the Chu memorandum that will impact the operation of the CVP while at the same time the State of California proposes dramatic operational changes to meet Delta flow criteria. The State's proposal would cause a 30% decrease in annual CVP generation and shift CVP generation from the summer into the spring, when it is least needed. The reduced summer generation will cause reliability impacts to the electrical system along with decreasing the limited flexibility that currently exists in the CVP hydro power system.

The proposed flow changes may make the CVP power system uneconomic and any costs or reduction in benefits resulting from the Chu memo proposals will add to the burdens imposed by the State of California. Before either of these proposals are considered further, time should be spent understanding their impacts on the CVP system. Government agencies should look at the totality of the impacts of their proposals rather than just narrowly promoting their predetermined suppositions that many times conflict with a safe, reliable, and economic system operation.

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